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THE GEORGE WASHINGTON UNIVERSITY

School of Government

U. S. Navy Graduate Comptrollership Program

INDUSTRIAL FUNDS

For

SEMINAR IN COMPTROLLERSHIP

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I. INTRODUCTION

Purpose and Definitions

The use of industrial funds in the Department of Defense is a comparatively new accounting device or system of fund management which has developed as part of the program to introduce economy and efficiency into the military services. Industrial funds have been established in those service operations which resemble commercial industry enterprises upon the assumption that the utilization of commercial systems of accounting and cost control would introduce economy and efficiency into these operations. For the most part this has been true, but the present regulations, with the exception of the Coast Guard under the Treasury Department, do not encompass all aspects of commercial cost controls.

Industrial funds were first authorized by legislation in 1949 which grew out of some of the Hoover Commission recommendations, especially in respect to the performance budget. In performance budgeting the total of the myriad costs making up the operations of a shipyard, for example, can be shown as one item in the Bureau of Ships budget. At the same time the shipyard can prepare a commercial type business budget to guide its activities during the year, as a management control and planning device, instead of preparing its budget as a request appropriation. At present these working capital funds in the navy are used at a variety of

installations including shipyards, ordnance plants, and the clothing factory. Even the Naval Research Laboratory will be operated under the regulations governing industrial funds, and other installations are being studied prior to initiating NIF accounting methods.

This paper will discuss the aspects of industrial funds mentioned above and, in general, will include some historical background of working capital funds, procedures in setting up the funds, the present use of the funds including some of the accounting procedures, budgetary problems, and a summary of fund principles. Conversely, no attempt will be made to examine closely accounting systems and procedures in use at the various installations. These procedures are covered exceptionally well in the industrial fund handbooks which are issued by the Office of the Comptroller, Department of the Navy, for each plant or shipyard operating under the fund. Repetition here would be redundant, but a close study is recommended for anyone engaged in activities under industrial funds, or as an example of a systems or procedures manual.

As a means of introducing features of industrial fund procedures as contrasted to the customary allotment method of accounting for industrial establishments the following listing of features is presented:

1. Integrity of working capital provided by reimbursement to fund for all work and services performed.
2. Controlling amount of cash in inventories and work in process.
3. Financial control of encumbered funds, receipts, disbursements, reimbursements, and cost distributions.
4. Operating budgets which will provide management, bureau and plant with information required to promote economy and efficiency, with particular emphasis on exercising control in the following areas:

Cash requirements

Production costs

Manufacturing, general and administrative expenses.

5. A system of accounts consisting of general ledger, subsidiary ledgers, cash receipts and disbursements registers, purchase and sales registers, and basic journal entries to provide:

Control of financial transactions

Control of inventories

Internal Control

Accrual basis for accumulating and distributing costs

Control of cost accounting.

6. Control of accounting classifications, reports and forms required to provide facts and figures for management, reflecting actual and clearly defined lines of working responsibility.¹

As can be seen these features represent a departure from allotment expenditure accounting, and, properly administered, represent a great improvement in military budgeting and accounting.

Most of the source material on this subject comes from official service publications, and this paper is concerned only with industrial funds within the Navy Department. Consequently the handbooks for the various funds issued by the Navy Comptroller were a major source of factual information, as well as Defense Department regulations, and publications of the Budget Bureau, Treasury Department, and General Accounting Office. Lectures and briefings of officers and civilians of the Navy Department were used for other commentary material. In addition the regulations issued by the Treasury Department and the handbook for the Coast Guard Shipyard Fund were used for portions of the paper pertaining to industrial fund accounting within the Coast Guard.

¹Tilley, E.D. "Capital Funding by the Navy's Bureau of Ordnance". The Controller, August, 1952.

II. BACKGROUND OF INDUSTRIAL FUND INSTALLATION

Public Law 216, 81st Congress

The use of industrial funds became possible in 1949 with the passing of Public Law 216, 81st Congress entitled "National Security Act Amendments of 1949". Actually it was entitled "An Act to Reorganize Fiscal Management in the National Military Establishments to promote economy and efficiency and for other purposes." The establishment of working capital funds was part of a larger program of management improvements to which the funds would contribute. Sec. 401 and 402 established the office of the Comptroller of the Department of Defense to perform budgetary and fiscal functions. In addition Comptrollers were established in each of the three military departments to be "responsible for all budgeting, accounting, progress and statistical reporting, and internal audit...and for the administrative organization structure and managerial procedures relating thereto"¹ Sec. 403 established the performance budget whereby "the budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable...so as to account for, and report, the cost of performance of readily identifiable functional programs and activities."

It is in Sec. 405 of the act that are found the legal justification for industrial fund financing. Extracts of the pertinent portions of the act are listed below and form the basis for subsequent regulations issued by the Defense Department.

¹Public Law 216, 81st Congress, An Act to Reorganize Fiscal Management in the National Military Establishment, to Promote Economy and Efficiency, and for Other Purposes. Washington: Government Printing Office, 1949

Section 405

(a) In order more effectively to control and account for the cost of programs....the Secretary of Defense is authorized to require the establishment of working capital funds....for the purpose of

(1) financing inventories of such stores, supplies, materials and equipment as he may designate; and

(2) providing working capital for such industrial type activities and for such commercial type activities as provide common services within or among the departments and agencies of the Department of Defense as he may designate.

(d) The Secretary of Defense is authorized to provide capital for such working capital funds by capitalizing inventories on hand and, with the approval of the President, by transfer, until December 31, 1951, from unexpended balances of any appropriations of the military departments not carried to the surplus fund of the Treasury.

(e) The secretaries of the military departments shall allocate responsibility within their respective military departments for the execution of functions which each military department is authorized by law to perform in such a manner as to effect the most economical and efficient organization and operation of the activities and use of the inventories for which working capital funds are authorized by this section.

(g) The Secretary of Defense is authorized to issue regulations to govern the operation of activities and use of inventories authorized by this section.¹

Secretary of Defense Regulations

The broad terms of this legislation are the framework around which the present industrial funds have been developed. Pursuant to the authority in the law, the Secretary of Defense in July, 1950, issued the "Regulations Covering the Operation of Working-Capital Funds for Industrial and Commercial type Establishments (Industrial Funds)". These regulations constitute a rather thorough set of instructions to the three services in the procedures to be followed in establishing and operating any installations under the industrial fund. A partial listing of the topics covered includes:

¹Ibid

1. Requirements for the establishment of specific projects under the industrial fund.
2. Assets and liabilities of industrial funds.
3. Reimbursements for work performed and other costs of establishments under the NIF.
4. Cost Accounting methods.
5. Budgets and budgetary control.
6. Reports and auditing.

These topics will be discussed later under another heading, but at present the purpose of industrial funds as explained by the Secretary of Defense (Louis Johnson) in these regulations is of interest, and is pertinent to the entire paper. They are:

3. Purposes of industrial funds:

(a) It is the purpose of each departmental industrial fund to provide a more effective means for controlling the costs of goods and services produced by industrial - and commercial-type establishments and a more effective and flexible means for financing, budgeting, and accounting for such operations.

(b) When individual agencies within each department are permitted to be completely financed and to order and pay for goods and services furnished by industrial - or commercial-type establishments (rather than to obtain them free), the officials of those agencies should have a greater sense of responsibility and self-restraint in limiting their orders based upon availability of funds and balancing the cost of such goods or services against the benefits and advantages of their use. Moreover, the creation of the complete buyer relationship will place the ordering agency in the position of critic of purchase prices (i.e., cost) as well as quality and delivery-speed of the goods or services furnished. (The term, "agency", as used above, means any organizational element within a department.)

(c) The industrial - and commercial-type establishments operated under the industrial fund in each department will be enabled more effectively to discharge their responsibilities by the separate financing of their operations and by budgeting and accounting according to commercial methods rather than the more cumbersome methods of appropriation .

accounting which are not, at present, readily adaptable to this type of operation.

(d) The use of industrial funds will permit a more complete establishment of a performance-type budget and accounting structure, in consonance with which the cost of goods and services furnished by industrial - or commercial-type establishments may be budgeted and accounted for under the program or function for which they have an end-use. Without the use of separate industrial funds it generally would be difficult and cumbersome to accomplish such end-use budgeting and accounting.

(e) The use of industrial funds will promote cross-servicing between departments in the area of industrial - and commercial-type operations because of the financial advantages cited above.¹

Accounting Survey and Charter

Before any installation or activity can operate under the industrial fund it is necessary that they receive a "charter" approved by the Comptroller of the Defense Department which governs the operations of the particular establishment subject to the provisions of the regulations. The charter is prepared by the cognizant military service. These charters (1) designate the agency responsible for management control such as a technical bureau, (2) describe the functions to be performed and the nature of the products or services, (3) statement of the agencies authorized to buy the products or services, (4) statement of the initial working capital to be provided, (5) and a statement of any specific exceptions to the provisions of these regulations. In comparing these establishments to commercial enterprises these charters are similar to the articles of incorporation issued by the individual states to corporations forming in such states.

Prior to the preparation of a charter by the Navy it

¹Regulations Covering the Operation of Working Capital Funds for Industrial and Commercial Type Establishments (Industrial Funds). Washington: Office of the Secretary of Defense, July 13, 1950.

is necessary that a survey be made of the installation at which it is planned to introduce the industrial fund accounting. This is necessary in order to compile the information required in the charter such as products and services, initial working capital, and exceptions to the regulations. An excellent example of this procedure is contained in the "Report on Accounting Survey in Connection with the Navy Industrial Fund Financing Plan, Naval Ordnance Plant, York, Pennsylvania".¹ As the title indicates before a working capital fund is established it is necessary to survey the existing accounting system and manufacturing procedures in order to establish a commercial type double entry, accrual system of cost accounting records which is the basis of industrial fund financing. At the same time an examination of records available coupled with a forecast of operations is necessary to determine the amount of working capital that will be required in order to establish the fund. Hence the survey is a combination accounting and management audit combined with a survey of plant procedures in order to set up an accounting system tailored to the needs of the particular plant. Among the topics under study by the survey panel were:

- History, General Description and Organization
- Cash Requirements
- Progress Payments
- Payment Procedures
- Purchases
- Jigs, Tools, Dies, Fixtures, and Gages
- Depreciation
- Accounting System, including present system and suggestions for changes under NIF
- Budget and Budgetary Controls
- Chart of Accounts, as it would be under NIF
- Financial Statements²

¹Report on Accounting Survey in Connection with Navy Industrial Fund Financing Plan, Naval Ordnance Plant, York, Pennsylvania. Washington: Department of the Navy, Office of the Comptroller and Bureau of Ordnance. 1951

²Ibid

In the case under discussion, a working panel--three persons from the office of the Navy Comptroller and three from the Bureau of Ordnance, appointed to carry out detail studies under the authorization of the Comptroller of the Navy, and to prepare such reports and other data as required, commenced a survey at the Naval Ordnance Plant, York, Pennsylvania, on 27 November 1950. The report was published April 5, 1951.

Briefly stated, the recommendations of the panel were:

1. The working capital fund be established at \$3,500,000.
2. That progress payments for work be authorized.
3. That the plant be designated a selling agent for scrap.
4. That public vouchers pertaining to operations be paid at the plant.
5. That comptroller type accounting organization be established.
6. That an accounting manual of instructions be prepared.¹

The list of recommendations is not indicative of the extent of other information found in the survey which contained nearly 200 pages plus numerous charts, tables, and statements. The importance of the accounting survey in respect to establishing a cost accounting system was illustrated well in an address by the Comptroller of MSTs.

The Accounting system is custom built for the precise and unique problems encountered by MSTs. The accounting emphasis is placed on management requirements for information rather than on the funding requirements of allotment reports, expenditure and obligation record keeping, reporting, etc. It is an accounting system that is not intended nor is it suitable in all its ramifications for other Government agencies. For other agencies to adopt the principles embodied in the Industrial Fund, an accounting system, custom built to the activity's operations, must be developed.²

¹Ibid

²Warfield, C.G. Capt.(SC) USN. "Operational Phases of the Naval Industrial Fund in the Military Sea Transportation Service". An address before the Management Improvement Institute. Washington: Department of the Navy, October 21, 1952.

In summary the survey provides the information necessary to determine the amount of working capital required to finance the industrial-type operation and to install the accounting system necessary to safeguard the principal of the fund and accurately record the costs of operating the installation.

Project Cash Account

As was stated in the initial legislation, Public Law 216, the Secretary of Defense may obtain money for the industrial funds by transfer from unexpended balances of any appropriations of the military departments not carried to the surplus fund of the Treasury. The principal amount of the Navy Industrial Fund consists of \$212,125,000 reappropriated from unexpended balances of various appropriations and \$213,019 in net donated assets representing inventories acquired with the transfer of activities to the fund for a total of \$212,338,019.¹ It is from this principal fund (consolidated treasury account) that the working capital for each individual activity is established. According to the Secretary of Defense regulations:

Each department will make administrative allocations or adjustments of cash within the consolidated Treasury account from time to time, with the approval of the Comptroller of the Department of Defense, for the account of each establishment to be operated under the industrial fund. Such administrative subdivisions of the cash account will be termed "Project cash accounts".

All cash receipts of all establishments operated under an industrial fund of any military department shall be deposited in the Treasury, to the credit of that department's consolidated cash account, and all disbursements of such establishments shall be drawn against that account, but such transactions shall be recorded in the project cash accounts in such a manner that the aggregate of the transactions and balances in the project cash accounts and the

¹Budget of the United States Government for the Fiscal Year ending June 30, 1954. Washington: Government Printing Office, 1953.

unallocated reserve shall be in agreement with the consolidated cash account in the Treasury.¹

The Central Accounting Office of the Navy Comptroller, in conjunction with the General Accounting Branch of the Bureau of Supplies and Accounts, maintains the records of the balance in each project cash account and balances these accounts against the total of the consolidated cash account in the Treasury. At the end of each month they (Navy Comptroller) furnish each establishment with a statement of the balance in its project cash account, against which the establishment reconciles the cash account in their general ledger. The process is similar to the reconciling of a commercial bank account. Summaries of cash receipts and cash disbursements forwarded to the General Accounting Branch by each establishment are used to maintain control over the project cash accounts. Complete details of the procedures and forms in these procedures are found in the individual activity accounting handbooks.

As of the end of fiscal 1952, \$125,050,000 had been allocated to project cash accounts of the following activities:

- Defense Printing Service
- Military Sea Transport Service
- Navy Printing Service
- Naval Clothing Factory, Brooklyn
- Naval Shipyard, Philadelphia
- Naval Ordnance Plant, York

From the remaining balance plus funds which are to be withdrawn from some of the above activities it is planned to

¹Defense Department Regulations, op.cit.

establish project cash accounts for the following installations which will be brought under the industrial fund:

Naval Research Laboratory

Naval Powder Factory, Indianhead, Md.

Three Naval Ordnance Plants

Six Naval Shipyards

Marine Clothing Factory, Philadelphia

Naval Gun Factory, Washington D.C.¹

In the event that the consolidated cash account in the Treasury is not sufficient to carry out an extended program of adding other establishments to the industrial fund, additional appropriations may be obtained.

The project cash account, then, is similar to the commercial checking account of an industrial enterprise, and the activities under the fund maintain the balance of this cash account by billing customers for the costs of the services it renders, and disbursing for these costs from the cash account. Essentially the activity, such as a shipyard, is a non-profit, self-funding organization set up to render service to other agencies in the Navy and the Department of Defense.

¹Budget of the United States, op.cit.

III. INDUSTRIAL FUND PROCEDURES AND ACCOUNTING

Billings and Reimbursements

Activities operating under the industrial fund regulations are comparable to commercial industrial establishments in that their working capital is maintained by a buyer-seller relationship with the agencies for whom they perform work. The initial cash allocation of working capital, which in industry might be obtained by a sale of common stock, is allocated from the Navy Consolidated Industrial Fund into a fund called a "project cash account". The integrity of this fund is maintained by the process of project orders by customers, usually the bureau or agency having management control of the activity, billing of the customer by the activity, and finally reimbursement to the activity by the customer. Inherent in this procedure is the cost accounting system by which the activity determines the amount of the billing.

However, unlike a business enterprise, these billings and reimbursements do not involve a cash transfer in the real sense. Inasmuch as the major portion of funds to pay for the work of any particular activity will be provided in the form of appropriations to the ordering agency, reimbursement is brought about by a transfer between the appropriation and the project cash account. The billing is made on SF1080, Voucher for Transfers between Appropriations and/or Funds, and a transfer is made from an appropriation of the ordering agency to the industrial fund to the credit of the individual project cash account. In the case of one year appropriations it is necessary to obtain a transfer reimbursement before the appropriations

lapse. Customers orders from private parties, state, municipal, or foreign governments, and other activities operating outside of the scope of U. S. Government appropriation structure, must accompany their orders with a cash advance sufficient to cover the estimated cost of the work requested. In this case a commercial type billing is prepared which acts to decrease the amount of the customer's cash advance. In the case of projects for government agencies which may extend over several months, progress payments to reimburse for the amount of costs incurred each month may be authorized.

Standard Form 1060 is also used, similarly, by the activity to pay for materials or services it receives from other government agencies. Materials, services, labor, etc., which are received from outside sources are paid by treasury check upon the authority of approved Public Vouchers by a disbursing officer located at the activity.

. Cost Accounting

The cost accounting systems employed by activities under the industrial fund vary considerably, and each one is tailored for the individual establishment. For example, the Philadelphia Naval Shipyard utilizes a job order cost system, the purpose of which as stated in their handbook is:

....to provide management with meaningful information on the cost of production and expenses of operations. Plans for future operations expressed in dollars are known as the budget. It is the purpose of cost accounting to assemble and furnish to management costs of production and operations correlated to individual estimates and to

the budget in such a manner that management may obtain a clear and continuing perspective of its progress and performance.¹

By way of contrast the Brooklyn Naval Clothing Factory employs a standard cost accounting system, which their handbook describes as follows:

The cost system as herein prescribed comprehends the establishment of predetermined standards to be used in the computation of standard cost of production. The standards have been determined from engineered studies and comprehensive study of present and past production activities and expenses...The analysis of variances resulting from comparison of standards and actuals presents to management tools for controlling and improving efficiency of operations. The study of variances is therefore the key factor in the system; not the total cost, as in other systems.²

However, in all the accounting systems the marked change from former methods is in the accrual of expenses as contrasted to allotment and expenditure accounting. The other feature is the double entry, general and subsidiary ledger accounting in which the detailed costs are accumulated by elaborate numerical account classifications. As stated before, there is nothing new in the accounting systems installed in these activities under the industrial fund, the only innovation being that the military services have finally adopted them.

¹ Navy Industrial Fund Handbook, Naval Shipyard, Philadelphia, Pennsylvania. Washington: Department of the Navy, Office of the Comptroller.

² Navy Industrial Fund Handbook, Naval Clothing Factory, Brooklyn, New York. Washington: Department of the Navy, Office of the Comptroller.

Statistical Costs

There is one difference in determining costs between industrial fund accounting and commercial accounting and that is in the matter of statistical costs. Certain of the Defense Department Regulations indicate what this difference is.

2(j) While each industrial establishment shall keep account of the cost of items of real estate, equipment, and other facilities used in its operations or located on its premises, such assets shall not be considered to be held for the account of the industrial fund. Replacements of and additions to such property and equipment shall be financed by appropriated funds and not by the industrial funds.

7(g) No establishment operated under an industrial fund shall include in its costs of operation, costs incurred which are not applicable either directly or indirectly to productive work. These would include costs of additions to plant and equipment, costs of removal and salvage of items of plant and equipment retired, costs of maintenance of idle plant and equipment, and cost of operation and maintenance of activities physically located in the establishment but not participating in the production of goods and services. Such costs shall be provided for by allotments from the appropriate departmental agency.

8(c) The excluded costs not paid by the establishments in the beginning will include those pertaining to military pay and allowances, etc....Because depreciation on Government owned plant and equipment will not be "funded" this element of cost will be treated similarly to other excluded costs. However, to the extent feasible, all such excluded costs shall be determined and recorded statistically
.....

In other words, certain important elements of costs of private enterprises are not included in the cost accounting system, but rather are kept separately as a statistical accumulation of data. These statistical costs represent actual costs by most textbook definitions, but in the case of industrial funds they do

¹ Defense Department Regulations, op.cit.

not require a cash outlay, such as depreciation, or they are not payable from the Project Cash Account, such as military pay and allowances, and hence, are not included in the costs to be reimbursed by the agency customers in the Department of Defense.

However, these costs are prorated to orders for customers outside of governmental agencies and the funds thus received are deposited in the miscellaneous receipts of the Treasury, not to the credit of the project cash accounts. These statistical costs are usually shown as footnotes in the Income and Expense Statements of activities and the non-funded assets such as plant and equipment are shown as footnotes on the Balance Sheets.

United States Coast Guard

This handling of statistical costs in the Defense Department is not uniform throughout the government. The United States Coast Guard, which is presently under the Treasury Department, operates its shipyard under different regulations. There, statistical costs are handled differently as evidenced by the following excerpt from the Treasury Department regulations:

The costs of each order placed with the Yard shall be determined in accordance with generally accepted principles of commercial accounting applicable to business type enterprises of the Federal Government.....Such costs shall consist of:

a. Direct cost including the cost of civilian and military personnel, material and supplies, and contractual services.

b. A proportionate share of indirect costs including labor both civilian and military, materials and supplies, contractual services, a reasonable allowance for depreciation and obsolescence.....¹

¹United States Coast Guard Comptroller's Manual, Volume 1, Section H. Yard Fund Accounting. Washington: Treasury Department.

In the Coast Guard industrial funding all plant and equipment is taken up as part of the assets of the fund, and the entire organization is self funding including the capital assets. Also, the elements of costs such as military personnel and depreciation are included in the contents of their Income and Expense Statement. This procedure is certainly adaptable to industrial funds in the Defense Department, and would obviously give a more accurate summary of operating costs.

And one last difference is the fact that industrial fund activities are not operated for a profit. Their cost accounting systems are supposed to give management the data from which rates will be computed that result in their operations coming out even at the end of the year. For example, MSTs, on the basis of their costs records, determines the rates it will charge military shippers during the coming budget year. The various military departments then budget for this expense under object classes 02 and 03, Travel and Transportation of Things. Then during the year it is expected that their estimated income from rates will just equal their costs. As it is expressed in one accounting survey:

While the profit motive is ever present in commercial organizations, it is inherently absent from any accounting and cost system under the National Security Act. Nevertheless, the system must be so constructed that all costs incurred by the activity in its manufacture, overhaul, or other programs will be recovered.¹

¹Report on Accounting Survey, York, Penn. op.cit.

That the industrial fund activities have every expectation of accomplishing this seemingly impossible computation is indicated by the fact that the estimated Income and Expense Statements for Fiscal 1954 for the Defense Printing Service, MSTS, Naval Shipyard, Philadelphia, and Naval Ordnance Plant, York, all show¹ no expected gain or loss.

Operating Financial Reports

Monthly summary operating reports are prepared by each establishment operating under an industrial fund. These reports include balance sheets, income and expense statements, together with subsidiary supporting schedules showing cost details. A listing of the monthly Summary Financial and Operating Statements prepared by the Philadelphia Naval Shipyard for presentation to the Defense Department Comptroller, the Bureau of the Budget, and the General Accounting Office follows:

- Statement of Financial Condition (Balance Sheet)
- Statement of Income and Expense
- Summary of Overhead Expense
- Recapitulation of Detailed Overhead Expense
of Production Expense Centers
- Recapitulation of Detailed Overhead Expense
of General Expense Centers
- Foundry Expense - Mold and Cleaning
- Foundry - Melt Cost Summary

The above statements are also sent to the Bureau of Ships and the Navy Comptroller, and in addition these last two addressees receive an additional group of statements monthly which are:

- Status of Accounts Receivable
- Cost and Budget Summary of Work in Progress
- Analysis of Accrued Expense

¹Budget of the United States, op.cit.

Detailed Overhead Expense for Each Productive
Expense Center
Detailed Overhead Expense for Each General
Expense Center
Status of Uncleared Material Requisitions for
Closed Customer Orders
Foundry Direct Material Analysis

and quarterly they receive:

Status of Shop Stores Inventory and Usage
Status of Direct Material Inventory
Status of Uncollected Costs
Cost and Budget Summary by Work Category
Cost and Budget Summary by Expense Center¹

Briefly stated, it is an imposing array of reports and serves to indicate the extent of the use of the cost accounting system. These reports give the management bureaus an excellent summary of operations, and, as more establishments are brought under the fund, it will permit keen comparisons of similar activities such as the shipyards and ordnance plants.

¹Navy Industrial Fund Handbook, Philadelphia Naval Shipyard, op.cit.

IV. BUDGETING

Budget Procedures

It is in the field of budgeting that many proponents of the industrial fund feel the greatest benefits to the military services are derived. Certainly budget preparation is simplified in respect to the requirements of Congress, and at the same time the commercial-type budget that the industrial fund activities prepare is of great significance in the controlling of costs, thus promoting the economy and efficiency which Congress hoped to obtain through the initial legislation.

As might be expected the largest customer for an industrial fund activity will be the bureau that has management control. For the Philadelphia Naval Shipyard that would be the Bureau of Ships, and for the Ordnance Plant at York, Pennsylvania, it would be the Bureau of Ordnance. Now under the former allotment system of operating the shipyard, for example, the Bureau of Ships in its budget estimates would have to show these funds broken down by all the object classes such as 01 Personnel, 08 Supplies and Material, etc., plus maintaining various allotment accounts. Under the industrial fund, however, the Bureau now shows these amounts under only one object class, namely 09 Equipment, representing the total cost of project orders to be placed with the shipyard. The same procedure will hold true for other bureaus having activities under the industrial fund. As mentioned under the discussion of statistical costs, the management bureaus still have to budget for those costs not included

within the industrial fund. As stated in the regulations:

10. (a) Each agency which may order work performed from an industrial or commercial-type establishment shall budget annually for the estimated costs of the project orders to be placed therewith. Similarly, each agency responsible for the management of an industrial type or commercial-type establishment operated under the industrial fund shall budget for the estimated costs of maintenance of idle plant and equipment of such establishments, the estimated cost of additions to plant and equipment, and the estimated cost of removal or salvaging plant and equipment retired.¹

Commercial Type Budgeting

Since the individual industrial fund activities are not budgeting as a request for appropriation in the usual government agency manner, their budget will be instead a business-type budget, a financial plan for the operation of the enterprise which will be used as a guide to management, as a check against actual costs incurred. Instead of budgeting for programs, the activity budgets their operating costs against their anticipated revenue. The pertinent Defense Department regulation which provides for these budgets is section 10 (b):

Each establishment operated under the industrial fund shall prepare a commercial-type budget annually covering the operating cost of the establishment upon the basis of cost accounting adopted and showing how such costs will be financed.²

Of necessity, the starting point for their budget, as in all commercial budgets, is the anticipated sales. Therefore, the management bureaus and other customers, must inform the activity in advance of the budget preparation, the number and type of project orders they plan to place with the activity. The industrial fund activity then determines by estimate the costs of producing the project orders thus submitted. These

¹Defense Department Regulations, op.cit.

²Ibid

cost figures then become both the anticipated revenues of the funded activity, and also the amounts that the customer agencies must include in their budgets for their programs. The funded activity, must then prepare its business budgets to keep its costs of production within the figures submitted to the customer agencies, and consequently within its anticipated sales revenue.

The Military Sea Transportation Service is one organization under the industrial fund which is apparently realizing great benefits from this new budgeting concept for a military organization. The Comptroller of MSTS had this to say about their budget procedures in a recent address:

I cannot resist the temptation to point out the obvious difference between the MSTS budget procedures and those which are associated normally with the appropriation and allotment system. As you all know, under the allotment system an organization is given many different allotments by many different technical bureaus and offices; each allotment is designed to carry the expense of a given function....The number one advantage, as we see it (to the NIF) relates to benefits derived from better budgeting, and the incentives provided management for closer cost control. We believe that the Industrial Fund budgeting procedures have allowed management to substitute the exercise of good business judgment and internal management controls for minute external financial controls, that is allotments. This has resulted in large economies. With the commercial type budget under which we operate we have a regular detailed comparison of amounts budgeted for a given function with the actual expenses incurred. This pinpoints the precise area where excess funds have been spent. The budget has developed in all levels of management within MSTS a cost consciousness which probably cannot be found in other agencies of the Government operating under the appropriation system. We all have a realization that the expenses which are incurred must be met by income realized from operations.¹

¹Warfield, op. cit.

Budgeting for Congress

Congressional control of the government funds involved in the activities under the industrial fund comes about in a somewhat different manner than through the appropriation as is usual. To begin with, certain limitations may be placed on the amount of the working capital that is available to each activity. The Defense Department Regulation states in section 10 (e) "A limitation on the working capital available for the operation of each industrial fund shall be approved annually by the Bureau of the Budget. The limitations for each industrial fund will be based on the requirements for working capital of the establishments authorized under each fund with particular consideration to the anticipated activity of the projects and the inventory requirements thereof."¹ The examination of the activities' financial statements by the Bureau of the Budget serves as a source material for determining the working capital requirements.

In the preparation of the President's annual budget to be presented to Congress, the industrial type activities under NIF come under the Budget Bureau regulations pertaining to government owned corporations. That is, the statements that they must prepare, and the format to be followed is prescribed in "Instructions for the Preparation and Submission of Annual Budget Estimates", Budget Bureau Circular No. A-11. By definition, as found in Budget Treasury Regulation No. 1, activities under the NIF are known as revolving funds...."Funds authorized by specific provisions of law

¹Defense Department Regulations, op. cit.

to finance a continuing cycle of operations, with receipts derived from such operations available in their entirety for use by the fund without further action by Congress."¹ Sections 56-60 of the Budget Bureau Regulations describe the business type financial statements that must be submitted by revolving funds. They are:

Statement of Sources and Application of Funds
Statement of Income and Expenses, and Retained Earnings
Statement of Financial Conditions
Schedule of Accrued Expenditures by Object Class
Other Schedules and Statements as required²

The first four statements listed are prepared by the individual activities and consolidated by the Comptroller of the Navy into one group of statements for inclusion in the President's budget. In the final budget the "Statement of Sources and Application of Funds" is prepared for all activities under the fund as one statement. The "Statement of Financial Condition" and the "Schedule of Accrued Expenditures by Objects" with the detailed breakdown for Personal Services, Ol, are shown as consolidated statements for the entire Industrial Fund with no breakdown by activities. The "Income and Expense Statements" are shown individually, and for all statements the amounts for the past, current, and budget years are included.³ A desirable development in budgeting for NIF would be the elimination of the expenditures by object class, as the accounting for these expenses and the preparation of the statements is an unnecessary effort not related to cost accounting for management control, and hence not contributing to "economy and efficiency" as Congress desires.

¹Budget-Treasury Regulation No. 1 Washington: Issued by the Bureau of the Budget and the Treasury Department, June, 1952.

²Instructions for the Preparation and Submission of Annual Budget Estimates. Washington: Bureau of the Budget, April 30, 1952.

³Budget of the United States, op. cit.

V. SUMMARY

The major advantages of industrial fund procedures exist in the areas of accounting for costs, budgeting as a tool for management control, and the responsibility now placed on activities for a control over production costs.

The institution of cost accounting systems at activities operated under the industrial fund is an obvious improvement. Although cost systems of a sort were in existence at these activities, under the fund the accounts are now kept under the accrual methods and on a double entry basis. Under these conditions operating reports can be prepared more quickly and will show actual costs incurred instead of merely expenditures. Management bureaus will then be able to compare and evaluate the overhead rates and statements from similar activities, and can know in advance the costs of projected work to be ordered.

The budgeting process has been changed from one of preparing estimates and schedules to justify request for appropriations from Congress, to a commercial-type budget designed as a tool for management in the controlling of costs. Monthly budgets are prepared which forecast costs of production and sales, which provide a more efficient means of controlling the costs of goods and services produced. At the management bureau level, the cost of work performed will be tied in with the individual budget program as presented and justified before the Appropriations Committees or Congress. The amount of work performed would be directly

controlled by orders placed within the limits of money appropriated for such work.

Statement of Principles

In summary, the principles embodied in an industrial fund are well stated by one of the survey panels:

- a. Provide a more effective means for controlling the costs of goods and services produced and to establish a more flexible means for financing, budgeting, and accounting for such operations.
- b. Simplify cost accounting methods on an accrual basis in accordance with commercial methods.
- c. Emphasize the requirements of local management for timely information concerning the operating costs by functions, to focus sharply the attention to such costs according to department and shop.
- d. Encourage the exercising of sound business judgment in the area of managerial controls by vesting financial responsibility and authority on a concomitant basis in local management.
- e. De-emphasize the concept of relying on controls in the form of personnel ceilings (allotments, etc.,) for measuring the effectiveness of management controls.
- f. Create a buyer-seller relationship in the placing of orders for materials or services to be produced.
- g. Promote cross-serving between departments in the area of industrial operations.

Although all of these principles are not being realized to the fullest extent, it must be remembered that this is a comparatively new concept in the field of military budgeting and accounting. The principles are sound as evidenced by their universal application in the world of business. They should prove of equal value to the Department of Defense.

¹Accounting Survey, York, Penn. op. cit.

Figure 1

NAVY INDUSTRIAL FUND
STATEMENT OF CONDITION, JUNE 30, 1953 ¹

Assets

Current Assets:		
Cash	\$ 264,041,993	
Accounts Receivable	82,080,318	
Total Current Assets		\$ 346,122,311
Inventories:		
MSTS (Various)	29,000,000	
Raw Materials	5,850,651	
Goods in Process	14,402,851	
Total Inventories		49,253,232
Pre Paid Expenses		4,560,172
Total Assets		<u>399,935,715</u>

Liabilities

Current Liabilities:		
Accounts Payable	79,725,611	
Accrued Expenses	107,707,441	
Total Liabilities		187,433,052

Investment of U. S. Government

Principal of Fund:		
Re-appropriations	212,125,000	
Donated Assets	213,019	
Total Principal	212,338,019	
Retained Earnings	164,644	
Total Investment		212,502,663
Total Liabilities and Investment		<u>399,935,715</u>

¹ Budget of the United States, op. cit.

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DEPARTMENT OF THE NAVY
MILITARY SEA TRANSPORTATION SERVICE
WASHINGTON 25, D. C.

Ser 1453MSTS512
5 December 1952

MEMORANDUM

From: Comptroller, Military Sea Transportation Service
To: Commander, Military Sea Transportation Service

Subj: Navy Industrial Fund Account No. 2; report of operations

Ref: (a) MSTS Comptroller Handbook 310210
(b) COMSTS ltr Ser 297MSTS5 of 13 August 1952
(c) COMSTS ltr Ser 971MSTS513 of 4 November 1952
(d) COMSTS ltr Ser 1121MSTS513 of 7 November 1952

Encl: (1) MSTS Financial Statement under the Navy Industrial Fund,
Account No. 2, for the period ending 31 October 1952

1. Enclosure (1) is submitted herewith in accordance with provisions of reference (a).

2. For information purposes only it is advised that the dollar value of charges for cargo Unutilized Traffic Reservations and Delay Time for the month of October 1952 totaled \$2,407,542.50 and \$28,580.00, respectively, distributable to the shipper services as follows:

Unutilized Traffic Reservation Charges

Department of the Army	\$2,215,671.50
Department of the Air Force	30,549.00
Department of the Navy	161,322.00
Total	<u>\$2,407,542.50</u>

Delay Time Charges

Department of the Army	<u>\$ 28,580.00</u>
------------------------	---------------------

3. Unutilized Traffic Reservation charges are billed to the shipper services on a quarterly basis only and, therefore, does not appear in any of the schedules supporting enclosure (1). However, these charges for Unutilized Traffic Reservations are subject to an adjustment downward based on cargo operations for the months of November and December 1952. Charges covering Delay Time were not included in the billings for the month of October 1952 for the reason that reports from subordinate commands were not received in time for inclusion in regular billings. The amounts shown above were computed in accordance with instructions contained in references (b) and (c).

Subj: Navy Industrial Fund Account No. 2; report of operations

4. Billings for Unutilized Traffic Reservation and Delay Time covering petroleum movements will not become effective until January 1953 in accordance with the provisions of reference (d). Billings for Unutilized Traffic Reservation and Delay Time covering passenger traffic is under consideration by the shipper services at this time.

Copy to:
Asst SecDef (Comptroller) (2 copies)
Asst NavComp, Accounting, Audit and Finance
Liaison Officer GAO, Office NavComp
BuBudget

MILITARY SEA TRANSPORTATION SERVICE
BALANCE SHEET
NAVY INDUSTRIAL FUND, ACCOUNT NO. 2
31 OCTOBER 1952

ASSETS

CASH:

MSTS General Operating Fund		\$	30,181,725.71
MSTS Special Operating Funds:			
International Refugee Organization	\$		447,799.61
Migration Committee Program			32,027.26
Bureau of Ships Program			<u>2,900,128.58</u>
Total Special Operating Funds			
(Contra to Cash Advances Received)		\$	<u>3,379,955.45</u>
Total Cash		\$	<u>33,561,681.16</u>

ACCOUNTS RECEIVABLE:

Traffic (Schedule 1)	\$	208,414,123.21	
Miscellaneous		<u>3,176,335.84</u>	
Total Accounts Receivable			\$211,590,459.05

INVENTORIES:

MSTS Special Material	\$	9,752,940.74	
Consumable Supplies, Ships		4,448,042.09	
Subsistence Stores, Ships		4,207,086.39	
Propulsion Fuel, Ships		1,319,407.23	
Bedding, Tableware, etc., Ships		4,764,030.37	
Inventory in Transit		<u>814,006.13</u>	
Total Inventories	\$	<u>25,305,512.95</u>	
Less-Reserve for Inventory of Consumable			
Supplies Aboard Commissioned Ships	\$	<u>1,499,869.81</u>	
Remainder			\$ 23,805,643.14

CASH ADVANCES - MISCELLANEOUS:

Department of State	\$	2,000.00	
Maritime Administration		<u>1,156,883.00</u>	
Total Cash Advances			\$ 1,158,883.00

DEFERRED CHARGES TO OPERATIONS:

Work in Process-MSTS Maintenance Shops	\$	507,890.97	
Ship Activations, Unamortized Portion		4,849,158.78	
Miscellaneous Deferred Charges and Prepaid			
Expenses		<u>566,023.36</u>	
Total Deferred Charges to Operations			\$ <u>5,923,073.11</u>

TOTAL

\$ 276,039,739.46

MILITARY SEA TRANSPORTATION SERVICE
BALANCE SHEET
NAVY INDUSTRIAL FUND, ACCOUNT NO. 2
31 OCTOBER 1952

LIABILITIES AND CORPUS

ACCOUNTS PAYABLE:

Vouchers Payable	\$ 9,207,603.21	
S.F. 1080's Payable	1,827,371.32	
Shipping Contracts Payable (Withheld Portion)	4,548,105.01	
Salaries and Wages Payable	5,827,668.10	
Personal Allotments Payable (Employees)	91,902.00	
Social Security Taxes Payable (F.I.C.A. Employer's Contribution)	92,226.45	
Miscellaneous Accounts Payable	390,184.57	
Total Accounts Payable		\$ 21,985,060.66

ACCRUED LIABILITIES:

Time and Voyage Charters	\$ 49,036,763.00	
Shipping Contracts	8,448,699.62	
Berth Rate Shipments	12,703,047.66	
Contract Tanker Expenses	12,019,664.35	
Contract LST Expenses	1,261,388.31	
Annual Leave, Civilian Employees	4,267,250.15	
Supplies and Services	11,712,487.96	
Total Accrued Liabilities		\$ 99,449,301.05

CASH ADVANCES RECEIVED:

International Refugee Organization	\$ 447,799.61	
Migration Committee Program	32,027.26	
Bureau of Ships	2,900,128.58	
Total Cash Advances Received		\$ 3,379,955.45

DEFERRED INCOME

\$ 14,439,927.31

RESERVES:

Maintenance and Overhaul of Ships	\$ 14,388,884.68	
Indemnity Self-Insurance	5,053,333.36	
Inactivation of Ships	3,688,411.26	
Total Reserves		\$ 23,130,629.30
Total Liabilities		<u>\$ 162,384,873.77</u>

CORPUS OF FUND:

Balance at Inception 1 July 1951:		
Original Governmental Cash Contribution	\$100,000,000.00	
Inventories Capitalized	22,228,112.44	
Total	\$122,228,112.44	
Less-Liabilities Assumed	18,840,844.30	
Remainder		\$103,387,268.14
Net Change from Operations - Previous Year		16,930.29
Net Change from Operations - Current Year (Exhibit B)		10,250,667.26
Total Corpus of Fund		<u>\$113,654,865.69</u>
TOTAL		<u>\$276,039,739.46</u>

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF ACCOUNTS RECEIVABLE - TRAFFIC
AS OF 31 OCTOBER 1952

	October 1952	Prior Months	Total
<u>BILLED:</u>			
Dept of Army	\$36,740,440.50	\$ 93,475,147.26 ^{1/}	\$130,215,587.76
Dept of Navy (BuSandA)	5,185,604.27	21,857,027.25 ^{1/}	27,042,631.52
Dept of Navy (BuPers)	739,417.14	5,580,538.51 ^{2/}	6,319,955.65
Dept of Navy (BuShips)	355,410.00	919,513.00 ^{1/}	1,274,923.00
Dept of Navy (Marine Corps)	647,027.10	1,476,155.78 ^{3/}	2,123,182.88
Dept of Navy (OpNav)	108,600.00	150.00 ^{4/}	108,750.00
Dept of Air Force	10,519,111.10	29,776,696.51 ^{3/}	40,295,807.61
Dept of Navy (Other NavBureaus)	26,330.09	51,641.96 ^{3/}	77,972.05
Miscellaneous Government Agencies - 0 -		715.28 ^{5/}	715.28
	<u>\$54,321,940.20</u>	<u>\$153,137,585.55</u>	<u>\$207,459,525.75</u>
<u>UNBILLED:</u>			
Dept of Navy (Other NavBureaus)	371,765.73	582,831.73 ^{6/}	954,597.46
	<u>\$54,693,705.93</u>	<u>\$153,720,417.28</u>	<u>\$208,414,123.21</u>

- 1/ Represents June through September Billings
2/ Represents April through September Billings
3/ Represents July through September Billings
4/ Represents August Billing
5/ Represents August 1951 through June 1952 Billings
6/ Bills not submitted as Navy Bureaus to be charged
have not been identified including certain bills
being held for completion of projects.

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 for the Period 1 July 1952 to 31 October 1952

<u>Income</u>		
<u>Cargo</u>		
Transported	\$117,568,760.63	
Unutilized Traffic Reservations	14,639,661.95	
Delay Time	29,575.00	
Total Cargo Income		\$132,237,997.58
Passenger		46,904,792.42
Petroleum		47,618,245.57
Other		132,217.20
Total Income (See Note)		<u>\$226,893,252.77</u>
<u>Expenses</u>		
<u>Cargo</u>		
Passenger	\$121,033,858.52	
Petroleum	49,848,637.71	
Total Expenses		<u>\$216,642,585.51</u>
NET PROFIT TO BALANCE SHEET		<u>\$ 10,250,667.26</u>

NOTE:

Income from Tariff Billings	\$231,029,569.85	
Less - Income Deferred:		
Deferred as of 30 Sept 1952	\$ 14,439,927.31	
Deferred as of 30 June 1952	9,368,683.00	
		5,071,244.31
Adjusted Income from Tariff Billings		<u>\$225,958,325.54</u>
Add - Income from sources other than		
Tariff Billings ^{1/}		934,927.23
Adjusted Income 31 October 1952		<u>\$226,893,252.77</u>

^{1/} Miscellaneous Cargo Revenue	\$ 40,635.83
Passenger Revenue (Subsistence)	762,074.20
Other Revenue	132,217.20
	<u>\$ 934,927.23</u>

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 for the Period from 1 July 1952 to 31 October 1952

<u>Description</u>	<u>Income</u>	<u>Expenses</u>	<u>Income Over (Under) Expenses</u>
<u>Cargo Service</u>			
MSTS Assigned Ships	\$ 20,928,720.52	\$ 15,359,200.65	\$ 5,569,519.87
Time Charter	47,527,032.06	52,229,043.24	(4,702,011.18)
Voyage Charter	880,324.75	771,235.38	109,089.37
Shipping Contracts	39,005,313.35	40,635,435.21	(1,630,121.86)
Berth Rate	6,898,172.80	10,029,960.35	(3,131,787.55)
Contract LST's	1,716,373.00	1,860,854.29	(144,481.29)
Per Diem Use of Fleet Ships	612,824.15	148,129.40	464,694.75
Unutilized Traffic			
Reservations	14,639,661.95	* - 0 -	14,639,661.95
Delay Time	29,575.00	* - 0 -	29,575.00
Totals	<u>\$132,237,997.58</u>	<u>\$121,033,858.52</u>	<u>\$11,204,139.06</u>
<u>Passenger Service</u>			
MSTS Assigned Ships	\$ 44,580,819.24	\$ 45,258,938.64	\$ (678,119.40)
Time Charter	1,360,368.18	3,391,008.56	(2,030,700.38)
Shipping Contracts	217,500.00	223,158.28	(5,658.28)
Contract LST's	565,465.00	893,956.97	(328,491.97)
Per Diem Use of Fleet Ships	180,640.00	83,515.26	97,124.74
Totals	<u>\$ 46,904,792.42</u>	<u>\$ 49,848,637.71</u>	<u>\$ (2,943,845.29)</u>
<u>Petroleum Service</u>			
MSTS Assigned Ships	\$ 3,722,518.50	\$ 3,457,120.47	\$ 265,398.03
Voyage Charter	22,741,798.65	24,767,018.17	(2,025,219.52)
Contract Tankers	20,979,436.62	17,516,113.42	3,463,323.20
Per Diem Use of Fleet Ships	174,491.80	19,837.22	154,654.58
Totals	<u>\$ 47,618,245.57</u>	<u>\$ 45,760,089.28</u>	<u>\$ 1,858,156.29</u>
Total Operations	<u>\$226,761,035.57</u>	<u>\$216,642,585.51</u>	<u>\$10,118,450.06</u>
Non Operating Income	<u>\$ 132,217.20</u>	<u>\$ * - 0 -</u>	<u>\$ 132,217.20</u>
Total	<u>\$226,893,252.77</u>	<u>\$216,642,585.51</u>	<u>\$10,250,667.26</u>

NOTE:

*Expenses incurred under these items are included in operating expenses of the several expense categories listed.

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 during the Month of October 1952

<u>Description</u>	<u>Income</u>	<u>Expenses</u>	Income Over (Under) <u>Expenses</u>
<u>Cargo Service</u>			
MSTS Assigned Ships	\$ 5,227,304.63	\$ 4,053,808.37	\$ 1,173,496.26
Time Charter	11,336,637.08	12,142,195.23	(805,558.15)
Voyage Charter	- 0 -	36,123.31	(36,123.31)
Shipping Contracts	10,014,059.85	10,465,900.40	(451,840.55)
Berth Rate	1,606,614.75	2,283,444.62	(676,829.87)
Contract LST's	483,452.75	411,722.87	71,729.88
Per Diem Use of Fleet Ships	218,188.51	33,477.45	184,711.06
Unutilized Traffic			
Reservations	- 0 -	- 0 -	- 0 -
Delay Time	- 0 -	- 0 -	- 0 -
Totals	<u>\$28,886,257.57</u>	<u>\$29,426,672.25</u>	<u>\$ (540,414.68)</u>
<u>Passenger Service</u>			
MSTS Assigned Ships	\$11,753,458.54	\$11,691,477.74	\$ 61,980.80
Time Charter	438,053.97	653,841.00	(215,787.03)
Shipping Contracts	217,500.00	223,158.28	(5,658.28)
Contract LST's	107,790.00	263,244.38	(155,454.38)
Per Diem Use of Fleet Ships	3,708.30	643.90	3,064.40
Totals	<u>\$12,520,510.81</u>	<u>\$12,832,365.30</u>	<u>\$ (311,854.49)</u>
<u>Petroleum Service</u>			
MSTS Assigned Ships	\$ 1,086,088.98	\$ 895,904.47	\$ 190,184.51
Voyage Charter	5,302,602.05	5,401,831.35	(99,229.30)
Contract Tankers	5,419,652.87	4,621,273.43	798,379.44
Per Diem Use of Fleet Ships	16,434.60	3,288.64	13,145.96
Totals	<u>\$11,824,778.50</u>	<u>\$10,922,297.89</u>	<u>\$ 902,480.61</u>
Total Operations	<u>\$53,231,546.88</u>	<u>\$53,181,335.44</u>	<u>\$ 50,211.44</u>
Non Operating Income	<u>\$ 49,690.04</u>	<u>\$ *- 0 -</u>	<u>\$ 49,690.04</u>
Total	<u>\$53,281,236.92</u>	<u>\$53,181,335.44</u>	<u>\$ 99,901.48</u>

NOTE:

*Expenses incurred under this item are included in operating expenses of the several expense categories listed.

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF OPERATING EXPENSES - MSTs - ASSIGNED SHIPS

Under the Navy Industrial Fund, Account No. 2
 For the Month of October 1952 and the Period
 From 1 July 1952 to 31 October 1952

	<u>Current Period</u>	<u>Fiscal Year To Date</u>	<u>\$</u>
Labor, Civilian Marine:			
Regular Time	\$ 3,495,622.54	\$14,011,482.79	23.210
Overtime	1,138,614.42	5,071,923.36	8.402
Area Bonus	276,649.46	1,172,416.59	1.942
Super Area, Harbor and other Bonuses	125,999.83	538,053.55	.891
Annual, Sick and Military Leave	376,491.03	1,519,928.17	2.518
Total Labor, Civilian Marine	\$ 5,413,377.28	\$22,313,804.46	36.963
Employer's Tax FICA - Civilian Marine	\$ 36,129.62	\$ 152,753.36	.253
Travel	22,966.97	55,261.75	.092
Cash in Lieu of Subsistence and Quarters	33,776.40	171,327.41	.284
Subsistence, Ships' Complement	551,123.38	2,229,252.94	3.693
Subsistence, Passengers	2,222,300.39	9,079,500.64	15.040
Propulsion Fuel	1,480,297.00	6,431,209.99	10.653
Consumable Supplies	646,543.45	1,960,543.83	3.248
Clothing, Tableware, Etc.	96,524.92	444,441.84	.736
Medical and Dental Supplies	57,994.23	245,695.77	.407
Transportation and Handling of MSTs			
Ships Supplies	99,732.07	499,241.86	.827
Laundry Supplies and Expenses	61,359.33	232,762.78	.386
Crew Hire	51,720.19	185,488.00	.307
Tolls, Pilotage, Dockage, Garbage,			
Utilities and other Port Expenses	70,396.29	346,211.26	.574
Ships Equipage	990,692.96	2,610,237.87	4.324
Maintenance and Overhaul of Ships	2,948,903.51	10,729,308.67	17.773
Accident and Damage Repairs	178,442.01	525,824.56	.871
Alterations of Ships	143,213.51	516,631.75	.856
Activations of Ships, Amortized Portion	485,594.73	1,336,096.71	2.213
Miscellaneous	70,797.94	302,362.04	.500
TOTAL OPERATING EXPENSES	<u><u>\$15,661,886.18</u></u>	<u><u>\$60,367,957.49</u></u>	<u><u>100.000</u></u>

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF OVERHEAD EXPENSES

Under the Navy Industrial Fund, Account No. 2
 For the Month of October 1952 and the Period
From 1 July 1952 to 31 October 1952

	<u>Current Period</u>	<u>Fiscal Year To Date</u>	<u>%</u>
Salaries and Wages, Classified:			
Regular Time	\$ 765,255.10	\$2,836,805.18	58.775
Overtime	27,753.51	150,494.55	3.118
Marine Personnel Awaiting Assignment	67,455.78	232,932.88	4.826
Annual, Sick and Military Leave	99,314.87	366,843.19	7.601
Salaries and Wages, Unclassified:			
Regular Time	42,120.94	155,739.79	3.227
Overtime	5,644.85	22,081.66	.458
Annual, Sick and Military Leave	11,642.53	55,085.29	1.141
Total Salaries and Wages	<u>\$ 1,519,187.58</u>	<u>\$3,819,982.54</u>	<u>79.146</u>
Indoctrination and Training - Salaries And Wages	\$ 46,495.63	\$ 162,376.91	3.364
Employer's Tax, FICA (Civilian Personnel Ashore)	3,996.97	18,526.54	.384
Indoctrination and Training - Other Expenses	6,026.50	16,092.09	.333
Travel Expenses	20,987.42	84,026.90	1.741
Occupancy of Premises	11,511.86	49,622.83	1.028
Equipment Rental	9,056.49	35,051.15	.726
Office Supplies, Stationery and Postage	34,612.50	157,564.50	3.265
Communications	10,799.35	40,194.22	.833
Public Information	559.02	3,442.79	.071
Operation and Replacement of Automotive Equipment	16,654.52	51,511.66	1.067
Operation and Replacement of Operational Equipment	7,041.78	84,139.74	1.743
Damage Claims	- 0 -	137.54	.003
Repair and Replacement of Office Furniture and Equipment	32,339.88	80,589.38	1.670
Repairs to MSTs Special Material in store	6,400.99	8,956.21	.186
COMSTS Technical Unit Expenses	21,168.60	70,670.92	1.464
Other Overhead Expenses	<u>30,073.93</u>	<u>143,629.41</u>	<u>2.976</u>
 TOTAL OVERHEAD EXPENSES	 <u><u>\$ 1,276,913.02</u></u>	 <u><u>\$4,826,515.33</u></u>	 <u><u>100.000</u></u>

